

PATENT SECURITY AGREEMENT

IT IS HEREBY AGREED as of the 21st day of November, 1997, between L&S AUTOMOTIVE PRODUCTS CO., an Oklahoma corporation, with its executive office at 6 South Pennsylvania, Oklahoma City, Oklahoma 73107 herein called "Debtor," and BANKAMERICA BUSINESS CREDIT, INC., a Delaware corporation, with offices at 55 South Lake Avenue, Suite 900, Pasadena, California 91101, herein called "Secured Party," as follows:

1. As collateral security for, and to secure the prompt payment in full of all obligations and indebtedness of Debtor to Secured Party under and as evidenced by that certain Continuing Guaranty with Security Agreement dated of even date herewith between Debtor and Secured Party (the "Guaranty"), herein called "Debtor's Obligations," Debtor hereby grants a security interest in and assigns and conveys to Secured Party the entire right, title, and interest in and to the patent applications and patents listed in Exhibit "A" attached hereto, including, without limitation, all proceeds thereof (such as, by way of example, license royalties and proceeds of infringement suits), the right to sue for past, present, and future infringements, all rights corresponding thereto throughout the world, and all reissues, divisions, continuations, renewals, extensions, and continuations-in-part thereof (herein collectively called the "Patents").

2. Debtor covenants and warrants that:

(a) The Patents are subsisting and have not been adjudged invalid or unenforceable by a court of competent jurisdiction, in whole or in part; provided, however, that if a court of competent jurisdiction or governmental agency shall declare any of the Patents invalid, such shall not be a default under this Agreement;

(b) Debtor is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to each of the Patents, free and clear of any liens, and encumbrances, except that nothing contained herein shall limit Debtor's rights to grant a license to use such Patents to others; and

(c) Debtor has the unqualified right to enter into this Agreement and perform its terms.

3. If, before the Debtor's Obligations shall have been satisfied in full, Debtor shall obtain rights to any new patentable inventions, or become entitled to the benefit of any patent application or patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of Paragraph 1 shall automatically apply thereto and Debtor shall give to Secured Party prompt notice thereof in writing.

4. Debtor authorizes Secured Party to modify this Agreement by amending Exhibit "A" to include any future patents and patent applications which are Patents under Paragraph 2 or Paragraph 3 hereof.

5. Unless and until there shall have occurred and be continuing an Event of Default (as such term is defined in the Loan and Security Agreement), Secured Party hereby grants to Debtor the exclusive, nontransferable right and license to make, have made, use, and sell the inventions disclosed and claimed in the Patents for Debtor's own benefit and account and for none other. Debtor agrees not to sell or assign its interest in the license granted to Debtor in this Paragraph 5, without the prior written consent of Secured Party.

6. If any Event of Default shall have occurred that is continuing, Debtor's license in the Patents as set forth in Paragraph 5 shall terminate forthwith, and Secured Party shall have, in addition to all other rights and remedies given it by this Agreement, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents may be located and, without limiting the generality of the foregoing, Secured Party may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to Debtor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in the State of Oklahoma, or elsewhere, the whole or from time to time any part of the Patents, or interest which the Debtor may have therein, and after deducting from the proceeds of sale or other disposition of the Patents all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of Debtor's Obligations. Any remainder of the proceeds after payment in full of Debtor's Obligations shall be paid over to Debtor. Notice of any sale or other disposition of the Patents shall be given to Debtor at least seven (7) days before the time of any intended public or private sale or other disposition of the Patents is to be made, which Debtor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, Secured Party may, to the extent permissible under applicable law, purchase the whole or any part of the Patents sold, free from any right of redemption on the part of Debtor, which right is hereby waived and released.

7. At such time as Debtor shall completely satisfy all of Debtor's Obligations, Secured Party shall execute and deliver to Debtor all deeds, assignments, and other instruments as may be necessary or proper to revest in Debtor full title to the Patents, subject to any disposition thereof which may have been made by Secured Party pursuant hereto.

8. Any and all fees, costs, and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses, incurred by Secured Party in connection with the preparation of this Agreement and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances, or otherwise protecting, maintaining, preserving the Patents, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents after the license granted pursuant to Paragraph 5 hereof is terminated pursuant to Paragraph 6, shall be borne and paid by Debtor on demand by Secured Party and until so paid shall be added to the principal amount of Debtor's Obligations and shall bear interest at the rate prescribed in the Loan and Security Agreement.

9. Debtor shall have the duty, through counsel acceptable to Secured Party in its reasonable discretion, to prosecute diligently any patent application of the Patents pending as of the date of this Agreement or thereafter until Debtor's Obligations shall have been paid in full, and to preserve and maintain all rights in patent applications and patents of the Patents in accordance with prudent business practice and industry standards. Any expenses incurred in connection with such an application shall be borne by Debtor.

10. After the license granted pursuant to Paragraph 5 hereof is terminated pursuant to Paragraph 6, Secured Party shall have the right but shall in no way be obligated to bring suit in its own name to enforce the Patents and any license hereunder, in which event Debtor shall at the request of Secured Party do any and all lawful acts and execute any and all proper documents required by Secured Party in aid of such enforcement, and Debtor shall promptly, upon demand, reimburse and indemnify Secured Party for all reasonable costs and expenses incurred by Secured Party in the exercise of its rights under this Paragraph 10.

11. No course of dealing between Debtor and Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of Secured Party, any right, power, or privilege hereunder or under the Loan and Security Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder or thereunder preclude any other or future exercise thereof or the exercise of any other right, power, or privilege.

12. All of Secured Party's rights and remedies with respect to the Patents, whether established hereby or by the Loan and Security Agreement, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently.

13. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable, in whole or in part, in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

14. This Agreement is subject to modification only by a writing signed by the parties, except as provided in Paragraph 4.

15. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and the permitted assigns of the parties.

16. THE VALIDITY AND INTERPRETATION OF THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OKLAHOMA.

17. Except as otherwise provided herein, any notice required hereunder shall be in writing and shall be given or made as follows:

If to Secured Party, at: BankAmerica Business Credit, Inc.
55 South Lake Avenue, Suite 900
Pasadena, California 91101
Attn: Ms. Joyce White
Executive Vice President

with a copy to: Bank of America - Business Credit Legal Dept.
10124 Old Grove Road
San Diego, CA 92131
Attn: Thomas G. Montgomery, Esq.
Assistant General Counsel

and with a copy to: Jenkins & Gilchrist, a Professional Corporation
1445 Ross Avenue, Suite 3200
Dallas, Texas 75202
Attn: Linda D. Sartin, Esq.

If to Debtor, at: L&S Automotive Products Co.
Post Office Box 754
Oklahoma City, Oklahoma 73101
Attn: Mr. Jack E. Golsen
Board Chairman

with a copy to: LSB Industries, Inc.
Post Office Box 754
Oklahoma City, Oklahoma 73101
Attn: Mr. Tony M. Shelby
Senior Vice President

with a copy to: LSB Industries, Inc.
Post Office Box 754
Oklahoma City, Oklahoma 73101
Attn: David M. Shear, Esq.
General Counsel

and a copy to: Conner & Winters
One Leadership Square
211 North Robinson, Suite 1700
Oklahoma City, Oklahoma 73102-7101
Attn: Irwin H. Steinhorn, Esq.

or to such other address as each party may designate for itself by like notice. All such notices shall be deemed to have been validly served, given or delivered three (3) days following its deposit in an official depository of the United States Postal Service, registered or certified mail, with proper postage and fees prepaid, or, in case of telegraphic notice, one (1) day following its

delivery to the telegraph company, addressed as specified herein, or upon the actual receipt thereof, whichever is earlier.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and have caused their corporate seals to be affixed hereto on the date first above written.

L&S AUTOMOTIVE PRODUCTS CO.
an Oklahoma corporation

By: *David R. Goss*
Name: David R. Goss
Title: Vice President

BANKAMERICA BUSINESS CREDIT, INC.

By: *Michael Jasarik*
Name: Michael Jasarik
Title: Vice President

THE STATE OF OKLAHOMA §
Cleveland §
COUNTY OF OKLAHOMA §

BEFORE ME, the undersigned Notary Public, on this day personally appeared David R. Goss the Vice President of L&S AUTOMOTIVE PRODUCTS CO., an Oklahoma corporation, proved to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he/she executed the same as the act of said corporation for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 4th day of ~~February~~ March, 1998.

My Commission Expires:
9/9/2000

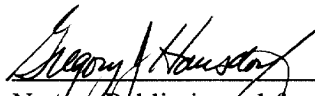
Yvonne M. Queinard
Notary Public in and for
the State of Oklahoma

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Michael Jasaitis the Vice President of BankAmerica Business Credit, Inc., a Delaware corporation, and proved to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he/she executed the same as the act of said corporation for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 18th day of ^{March}~~February~~, 1998.

My Commission Expires:



Notary Public in and for
the State of Texas

